REGIONALISM
Growing Together to Expand Opportunity to All

ECONOMIC DEVELOPMENT
Chapter 08: Economic and Neighborhood Development
Policy Analysis and Recommendations

1. Introduction:

Question: “What kind of regional policies and cooperative efforts would best benefit Cleveland’s African American community, increase opportunity and fairness for all residents, and effectively grow the region as a whole?”

Ten years ago economic development experts asserted, “Communities need to be concerned about the distribution of economic benefits” within the community. Places needed to also consider how “economic development efforts focused on improving productive capacity”1 for disadvantaged groups and areas. The cumulative impact of the global economy on places and people in the U.S. provide even greater pressure to meet those challenges. The costs exacted by a broader and more efficient global economy are evident, disrupting employment in lower-skilled employment; and increasingly, job outflows in management and professional occupations. Ben Bernanke, the new Federal Reserve Chief, recently remarked that political leaders must seriously acknowledge the “costs of globalization,” and “help their constituents come to terms with them.”2 Bernanke’s address also encouraged policymakers to pursue strategies ensuring “the benefits of global economic integration are sufficiently widely shared,”3 and “displaced workers get the necessary training to take advantage of new opportunities.”4 Recent policy and productivity innovations suggest that meeting these challenges will require a regional perspective. Specific attention will be placed on economic development strategies with a regional scope and inclusive purpose. Action is being taken in regions throughout the country, implementing policy to aid local capacity needing to adapt to changing conditions and economic hierarchies. However, as many regions suffer from hollow productivity in the core and sprawling, and increasingly expensive economic growth on the urban fringe, momentum around a response integrating regional arrangements and equitable outcomes remains an elusive policy. We will examine how regions have used policy to combat asset, capital and productivity flight, for the betterment of both the African American population and the entire region. Also, we examine what policies are appropriate to generate positive impact, such as reducing the decline of people, capital and opportunity?

Recent economic and population data reveal the Cleveland region is still a significant force in both state and national economics; but this position is eroding. In 2001, the Cleveland metropolitan area contributed $84.53 billion to the Nation’s economy, ranking 26th among the 319 metropolitan areas in the U.S. In 2002, Cleveland accounted for 21.2% of Ohio’s Gross State Product–more than one-fifth of the entire state’s value of goods and services.5 These numbers tell a static story about Cleveland, and other indicators suggest Cleveland, moving forward, may not enjoy the relative economic success. In 2003, there were 6.75 patents per 10,000 employees in Cleveland-Elyria-Mentor, OH compared to 7.69 for the U.S. From 1990-2003, patenting growth per year in Cleveland-Elyria-Mentor, OH was 0.97% compared to 5.02% for the U.S.–ranking 265th out of 361 metropolitan regions.6
Population is a strong indicator of growth, suggesting the economic significance of Cleveland is in the midst of a sustained decline. In 2005, the region had 2.13 million residents, Ohio’s second most populous region. Of note, in 2003, Cleveland was the state’s largest region by population with 2.14 million residents. What makes the subtle decline in residents significant is Cleveland’s population loss is moving counter to the Midwest as a whole. Recent population estimates for the Cleveland-Elyria-Mentor, OH region show a percentage population decrease of nearly a percent (.085%) from 2001 to 2005 (over 18,000 people). All other Midwest metropolitan areas during the same period saw an increase of 3.1 percent, adding over 1.5 million people. The extent of the decline in Cleveland also demonstrates the decline is getting larger over time. Between 2002 and 2003, population declined by a tenth of a percent. From 2004 - 2005, population outflow mushroomed to .35%–equal to a 250% increase.

Cleveland’s leaders understand there are substantial challenges (and opportunities) in growing, leveraging and attracting productive assets to the region. The African American public and private leadership in Cleveland are looking to meet these challenges with a policy infrastructure sensitive to equity and economic concerns of the isolated, benefiting both the African American constituents of the region and all of Cleveland. Reasons for this shift are evident; as all people, African American, Latino and White constitute a larger share of the lower rungs of the region’s economic ladder. Further, the economic and social conditions across much of the region are in decline, and increasingly altering the character of the region. Today, declining economic conditions demand addressing the policy-equity mismatch that maintains the ‘opportunity’ status quo of the region.

This chapter, and report as a whole, aims to lift up policies with an equity scope and integrity to sustain systematic regional linkages. The information provides a deep and comprehensive understanding of how Cleveland can adapt policy from peer regions to facilitate transformative change in regional economic development collaboration, neighborhood development, and by leveraging local assets to bolster firm productivity and household prosperity. Cleveland must be both efficiently and inclusively energized to foster innovation. African American business and civic leadership recognize addressing inequity and economic competitiveness are distinct, yet equal goals. In no uncertain terms, equity-oriented economic development aims to lift up applied policies that demonstrate what is good for African American businesses and households is good for all the region’s businesses and households.

### 1.1 Rethinking Economic Development: From Local to Regional

“Cleveland State did research on small business development here in Cleveland to find out what we have. We have at least 37– maybe as many as 50–entities doing business development, but they are “in silos”– there is no cooperation, no coordination, and they’re set up to be competitive. So we see a lack of development results.”

The above quote captures the dimensions of frustration with economic development and its results for Cleveland’s African American communities. Many stakeholders consider this as one of the most pressing issues a regional strategy could address. Findings reveal nearly one out of four leaders in Cleveland feels the economy is a good starting point for a regional intervention. Such interventions were most desirable with the inclusion of aims
to increase African American economic performance and reduce inter-racial disparity. Among the several catalysts for this approach for the African American community are the economic conditions much of the community faces in the region. Nearly three out of four respondents felt African American well-being in Cleveland was “poor.” This sentiment was fifteen times higher than respondents indicating African American well-being in the region was “good.” Public sentiment and analysis support the concern surrounding African-American economic access and the presence of a ‘dual’ Cleveland region, dissected by race and class. There is an abundance of examples and resources suggesting the best performing regions are functionally unified to bolster preparedness for global competitiveness.

Addressing Cleveland’s fragmentation of opportunity begins with an exploration as to why the current economic development paradigm fails to produce equity or increased innovation and productivity. We first briefly examine classic local economic development criticisms and how they relate to the conditions on the ground in Cleveland. Principally, economic development is structured to maximize value and attractiveness along narrowly defined boundaries. In the Cleveland context, numerous governments, all engaging in some form of economic development simultaneously, signal the onset of local, asymmetric hyper competitive conditions. This environment yields several outcomes, albeit unintended in some cases, such as, inter-jurisdictional and group distrust, and inefficient use of subsidy. As this occurs in regions like Cleveland, efforts are also underway to position the region to face the global economy—as local efforts subvert this process from the ground up, unnecessarily, with policy infrastructure that punishes integration and broader scale guidance. One way Cleveland has made efforts to address this on a broader scale is by placing risk capital behind the shift from a single labor market (manufacturing) to a more specialized one (education, health care, etc.). Data demonstrates this approach will be critical to regional health, as Cleveland must not only compete locally, but also in lower-wage world markets that can all but eliminate work in many sectors.  

In spite of the complicated conditions and need for integrated solutions, economic development remains a hyper competitive practice. The most often referred to result of this structure is the persistence of practices such as poaching. This activity, in effect, shifts jobs and residents from nearby areas using an array of public short- and long-term investment instruments, which results in negligible gains and lost public capacity to reduce friction. Below is an extended, general critique of noted limitations in local economic development, from a broad and equitable perspective.

- **Zero-sum game**—one group’s gain is offset by another group’s loss.
- Very few incentive programs allow for broader wealth redistribution to address inequity or to distribute risk and rewards.
- Local, state and federal workforce investments take on a far too narrow perspective, compartmentalizing the spatial, economic, transportation and quality aspects of work. The result is extreme disparities between residents, sharply captured by neighborhood boundaries.
- Economic development professionals are bounded by narrowly focused policies resulting in negative region-wide outcomes. This is compounded by a lack of sustained public support, heavily influenced by small organized constituencies that limit the distribution of benefits and burdens.
The most isolated geographies—inner city, rural and first-ring suburbs—face similar decline, yet few policy solutions exist to reduce problems from common sources, such as land use management. Joblessness, poor education, economic and social isolation limit the frequency of meaningful interactions to spur innovation.

To create a better positioned workforce, the above limitations and others must be mitigated and managed; effectively shaping a policy perspective that does not supplant local authority but provides necessary programs and legislation. The current gubernatorial race highlights opportunities that suggest changing the policy structure of economic development is important. In a recent debate at the Ohio Association of Regional Councils, candidates Ken Blackwell and Ted Strickland cited the significance of changing local land use management to meet the challenge of keeping Ohio relevant and accessible to current and future residents. At this meeting, gubernatorial hopeful Ted Strickland also promised not to provide state economic grants to communities that “poach” business from elsewhere in the region.

1.2 Peer Regions Embarking on Inclusive and Regional Strategies

Local efforts outside the region are working to eliminate issues by integrating local economic development with emphasis on inclusive activities. A redevelopment effort led by East Baltimore Development Inc. (EBDI hereinafter), a local not-for-profit, aims to complete an 80-acre, $800 million neighborhood redevelopment over an 8-10 year period. The development is estimated to produce 2 million square feet of biotech research space, over 1,200 units of mixed-income housing (new and rehabilitated, homeownership and rental); new retail facilities; a set of supportive services (job training, family counseling, education programs, substance abuse treatment, etc.) and community building activities. For job seekers, up to 6,000 new jobs will be created for skill levels ranging from high school to those with advanced college degrees.

The EBDI strategy integrates workforce development and social services, procurement inclusion and neighborhood infrastructure improvements under an ambitious unified policy structure. The redevelopment is supported with accountability systems to manage compliance and support neighborhood planning and real estate development investments. EBDI, along with institutional and private partners, are seizing emerging opportunities to create spillover benefits in terms of job training, social service programs and access to housing. Major institutional partners like Johns Hopkins (located in East Baltimore) and Annie E. Casey Foundation, will provide substantial opportunities for East Baltimore residents to move into quality housing and thriving communities (supported by pledges of $5 million to supplement the federal relocation guidelines). Residential properties on major area pathways are targeted for rehabilitation and blocks are being reconfigured based on successful Baltimore neighborhood patterns to support new development.

Many neighborhoods can benefit from this integration and inclusive activities. However, a sufficiently broad policy infrastructure is not present in Baltimore, or many regions, resulting in a barrier to transferring local capacity to a broader number of declining neighborhoods. Although no regional policy framework exists to transfer the capacity of the East Baltimore example, there is encouraging evidence where regional partnerships
are working to meet goals similar to Cleveland – better regional integration among intermediaries and governments as well as the reduction of disparity.

Northwest North Carolina (which includes Greensboro and Winston Salem, NC MSA) is an example of a reforming region repositioning its capacity through the economic development process. The Winston Salem region offers insight into the conditions faced by firms and individuals in the area. Along measures of innovation, the region ranked worse than Cleveland–only 3.24 patents per 10,000 employees, with a negative growth rate (-3.24), that ranked 326 among the 361 metropolitan areas over a thirteen-year period.  With all of Northwest North Carolina lacking coastal amenities or conventional attractions to lure in-migration of workers and families, policymakers focused on reenergizing underutilized assets to chart out its regional destiny. The process began with public officials securing funds for a Comprehensive Economic Development Strategy (CEDS) funded by the Economic Development Administration (EDA). Their CEDS was implemented with a bottom-up planning process to meet the goal of linking the interests and skills of residents with growth sectors providing strong wages.

The CEDS process created regional ‘partners’ from the eight counties in the region, each drafting its own economic development plans. The plans integrated local activities into the region-wide CEDS. Regional partners devoted resources to the creation of a design industry–which included design professionals from engineering to software to fine crafts. The plan positions the region to support reinventing its manufacturing workforce with increased worker preparedness and attraction of entrepreneurs to spur a diversified innovation cycle. Several innovative institutional arrangements emerged, including local community college investments in connection with the Department of Labor to establish a “replicable biotechnology curriculum for community colleges” in the region.

In addition to the multi-prong focus on innovation, leadership was acutely aware of the need for reducing disparity and moving in a timely fashion. While the CEDS planning process occurred county to county, local leaders in each county leveraged resident awareness to pursue good ideas while they were fresh. Along with programs, one of the themes that emerged was for successful regions to take aggressive steps to reduce social disparity. Further research revealed that, as disparity decreased, the potential to attract new investment increased. To date, this process has moved well into implementation, with the Northwest corridor receiving additional federal funding to pursue policies aimed at linking workforce investment and economic development interdependently. This action item is discussed in detail in later sections.

1.3 Rethinking Economic Development: Leveraging Assets

Scalable approaches that leverage Cleveland’s existing intellectual, physical and human assets require institutional actors to provide and aid in monitoring the policy infrastructure and outcomes. Colleges and universities are among the actors which have shown the capacity and mission-focused perspective capable of driving economic development. In this regard, several universities have participated in property redevelopment, urban revitalization and workforce development in areas surrounding their campuses. According to the Initiative for a Competitive Inner City, “In 1996, urban
core universities spent $136 billion on salaries, goods and services—nine times more than federal direct spending on urban business and job development in the same year.”

In Cleveland, academic institutional relationships are among those which are increasingly involved in the realities outside their walls. For example, Cuyahoga Community College (Tri-C) has received nearly $4 million in grants to support increasing the number of registered nurses and radiologic technologists for the Cleveland Clinic Health System. Tri-C also established the “Key Entrepreneur Development Center” in conjunction with Key Bank, to serve as a regional hub for business and economic growth across Northeast Ohio.

1.4 Ingredients for Inner-City Economic Development

Of the nearly one-third of respondents that suggest the economy is a significant issue, over half (55%) cited the lack of employment for African Americans as the significant economic issue. Closely related to declining employment and associated economic opportunities in Cleveland is the region’s development pattern. Nearly 80% of respondents indicated current development patterns yield a negative net impact on the region. The sentiment was that the current development pattern shifted the nature, quality and number of jobs away from population centers and transportation routes populated by African Americans. The prevailing outward development pattern impact on the population centers of the City of Cleveland, directly impact African Americans (the region was 18% and the City 50% African American in 2000). Exploring how local economic development can reduce friction for regional and inner-city economic expansion at the policy and sub-levels is central to creating vibrant regions. In terms of jobs, there is a substantial cost to residing in the inner city as job prospects typically flow outward. Segregated neighborhoods shape the job search by limiting the network connections to quality employment, leading to greater job search costs to inner-city residents. In terms of employer preference, residential segregation becomes a tool for predicting a jobseeker’s race, often resulting in racialized employment outcomes by geography. In turn, this influences firm-location decisions, dictating where businesses locate, job and neighborhood quality, and further results in biases based on unrelated factors such as local animosities or ethnic composition of local occupational niches.

Growth at the expense of reinvestment in the core, aside from employment and residential segregation, is also associated with “environmental damage, congestion, and labor shortages at the periphery, and poverty and neighborhood deterioration in the central city.” There is a critical, sometimes overlooked difference when examining the benefits of inner-city reinvestment over peripheral growth, by private and public interests. From the perspective of economic spillover, the inner city offers more efficient and equitable externalities as new business development in the periphery often comes with environmental problems and congestion and may require costly infrastructure. At the very least, government subsidy to attract new business stabilizes inner-city neighborhoods with investments in crime reduction, and worker preparedness. The increased tax base and business development may help improve amenities and safety. The spillover of inner-city reinvestment creates value for close proximity localities, promotes mixed income integration and maintains a balance of living environments to further distribute wealth.
The political economy of regions will determine the extent and duration of inner-city reinvestment. Cities are increasingly vulnerable to becoming rich and poor enclaves and efforts should be made to support policy that views inner-city Cleveland as an inseparable element to creating regional prosperity. Strategies to attract the middle class from the periphery should be accompanied by strategies to cultivate a middle class from within the inner cities.

As Cleveland explores the appropriate mix of policy to attract investment internally and externally, experts in strategy and competition suggest a focus inward to harness a region’s full potential. Professor Michael Porter, of the Harvard Business School, highlights four elements considered vital to strengthening inner cities across the country, and ultimately increasing regional prosperity for all. First, the presence of high-quality labor must be in place to achieve or sustain advantage. Second, the business climate must encourage investment in physical and technology assets and residents. Third, it is critical to develop industry sectors where local needs are most sophisticated. This has been found to promote growth of complimentary industries due to increased standards and regulations. These increases yield greater accountability, creating a consumer, policy and business environment that develops a taste for high-quality products which can be exported. Lastly, competitive regions need physically-clustered firms.

As significant as the pursuit of competitive advantage may be, it is just as important for leaders to consider policy as a major factor fueling competition. From an equity and innovation perspective, competition will face significant barriers if framed as outcomes (i.e. win or lose) alone. The gap in converting assets into capital is policy. Region policymakers and stakeholders must lift up existing policies that create competitiveness, and remedy policies that reduce or repel competition and the ability for more residents to compete (such as addressing the region’s educational disparities).

1.5 Policy Analysis and Recommendations:

Thus far, we have analyzed the factors motivating Cleveland to re-think its regional economic structure to meet the long-term challenge of reducing inequity and increasing and distributing economic productivity throughout the region; especially the inner city. Special attention must be paid to how Cleveland’s labor force helps shape the fate of the entire region and what challenges it faces in aiming to do just that. Workforce development in the region is highly fragmented and clustered away from the region’s peripheral job centers. Within Cuyahoga County alone, 17 agencies receive some level of WIA entitlement. The potential friction and frustration faced by those in need of work and training are found in the County’s Level II Certified One-Stop Centers located at 11699 Brookpark Rd. and 1701 E. 13th Street. However, access to all the regional partners may not be accessible at all locations. In fact, of the eleven career centers in Cuyahoga, only two locations (Downtown Cleveland and Brookpark) provide access to a majority of partner services. Much more needs to be done in Cleveland about recognizing that linking people and workforce intermediaries is increasingly important to economic development. Lessons from peer regions, like Baltimore and Winston-Salem, demonstrate workforce investment is an integral part of economic development and education policy.
For Cleveland, the challenge now is to be a ‘people-first’ region—by making investments in educational outcomes and ability to access risk capital, to fuel the regional cycle of entrepreneurship and innovation. Strategies should seek to build a sense of shared prosperity between firms, households and institutions. Newly emerging economic centers like Austin, Silicon Valley and Charlotte demonstrate the benefits of such an approach to generate positive spillovers in other areas. Research shows there are a multitude of factors for areas to consider and those less important when determining innovation readiness. First, factors such as city size, overall employment or population growth are less associated with high technology innovation in regions. Factors which have been shown to influence the growth of high innovation are government expenditure, low costs, capital assets, the presence of complimentary commercial partners and educational opportunities.20 A brief examination of key statistics demonstrates in some areas, Cleveland contains these ingredients and has the potential, with additional labor force development, to create the capacity to achieve similar success in high technology innovation in the long term.

A brief analysis highlights some disparity and similarity between Cleveland and the Charlotte and Austin regions in the receipt of federal expenditures. In the area of federal grants for energy (functions include energy information, policy, and regulation, emergency energy preparedness and supply and energy conservation), Cleveland received $5.3 million; while Charlotte received zero dollars and Austin, TX also received $5.3 million. Federal dollars are critical to creating innovation infrastructure opportunities, especially in the areas of alternative energy sources. In the area of health, a key innovative sector for the Cleveland economy, grant allocations in 2004, were considerably higher than the two compared regions. Federal grants for health care services; health research and training; and consumer and occupational health and safety totaled 1.8 billion dollars for the Cleveland region, while Austin managed $818 million and Charlotte $585 million—three times less than Cleveland.21

The second factor to consider is high-technology activities seek out lower cost locations. Even when high technology firms wish to leave highly innovative regions they have a tendency to pursue lower cost destinations. Further research by Miller and Cote (1987) revealed high technology employment is heavily concentrated in the large establishments of multiplant firms. Additional research shows these types of firms rely on management discretion compared to resource needs when choosing location. Building ‘soft’ and ‘hard’ infrastructure requires strategies built from existing information and relationships. This synergy will help the region take action to increase the factors contributing to existing firms staying. These strategies should also seek ways to partner to create more linkages resulting in greater levels of risk capital and a stronger workforce going forward. The third factor to consider is the presence of innovation capital assets, such as teaching or clinical hospitals oriented toward leading edge research.22 These assets were typically precursors to small firms conducting work in high technology. Older metropolitan areas with generations of the prototypical infrastructure such as universities, advanced research laboratories, venture capital or incubation can better serve the needs of entrepreneurs in high technology.23

Lastly, education drives technology-based economic development, more specifically the movement of faculty and the training of graduate students.24 It’s important to Cleveland
from an equity and innovation perspective to create the educational system, from secondary school to college, which aligns as a broadly unified system to meet this goal. Only through long-term extensive development of the region’s human assets can Cleveland reposition itself to take advantage of opportunities for economic growth, especially in essential sectors of the new economy. The preceding tech industry example drives home this point, but the principle is related to any specific sector that Cleveland seeks to develop. Human assets and skill are the essential ingredients for regions to grow in today’s innovation-based economy.

The previous pages provide the basis for the following policy analysis, lifting up regions and policies that are working towards reducing the volatility experienced by a globalized economy, using regional and equitable approaches. These policies are organized into four categories, and reflect the exhaustive analysis of conditions, promising practices, grounded by guidance from the President’s Council and local leadership:

- **Industry-focused workforce development:** Historically lacking access to better paying employment or opportunities, African American workers need to be better educated and trained for their own well-being and for the region to compete globally. Changing economic conditions are threatening to undermine further the region’s historic heavy manufacturing strengths, as economic activity shifts to knowledge-based, light or biotechnical manufacturing. Jobs and enterprise opportunities in occupations and sectors where African American workers are substantial must be strengthened at the same time as workers’ preparedness connects them with Cleveland’s emerging sectors. Figure 1 indicates which sectors are emerging in the Cleveland region. For a fuller picture of regional employment, look to the Ohio Bureau of Labor Market Information (LMI produces short and longer-term occupation projects throughout the state available at: http://lmi.state.oh.us/proj/OhioJobOutlook.htm). Our peer policy examples found industry-focused workforce development that implements training, political advocacy and conduit programs to provide regional impact. Some are already active in Cleveland. Tri-C and WIRE-NET are models of how regions competing to grow jobs in target sectors can provide integrative solutions in workforce development. In Baltimore and Detroit, workforce policy is being used to create better employment while effectively creating more inclusive places to live.

- **MBE/SBD development:** Minority-owned businesses must be framed as critical components of the Cleveland economy, crucial to widespread economic opportunity. Minority and small business policy infrastructure as explored in the Midwest regions of St. Louis, MO and Cincinnati, OH show how to make critical linkages between public and private participants for equitable outcomes. Findings suggest that regions actively building African American enterprises do so with policy that aims to break away from a set-aside framework. Their solutions have found ways to integrate African American businesses with Fortune 500 companies, create partners from mentor-protégé programs, and move firms beyond the incubation phase. For Cleveland, the elements and the focused will are present in the business community-at-large to pursue similar ventures at the scale of greater impact – the region.
• **Leveraging and distributing resources & investments:** Cleveland’s inner-city and inner-ring communities are not being infused with private capital and investment at the same rate as peripheral communities. Yet, the strongest regions in this nation look to the core as a source of jobs, capital and innovation. The lack of urban investment has a powerful and negative effect on the vitality of the entire region. The ability for private capital to reach underutilized assets is imperative to create strong regions and efficient markets, as analysis has shown. Policies in this area have identified promising practices from states and regions including Michigan, California, and Baltimore. What was found is statewide legislation and regional creativity can generate the regional/local infrastructure to distribute benefits at the neighborhood level.

• **Neighborhood development:** Economic opportunity is also closely linked to neighborhood health and development. Strong neighborhoods create value and incentive for households and businesses to remain and reinvest. Not only is proximity and access to employment important to achieve success, but a functional retail, and business sector in general, are critical elements for economically viable neighborhoods. Economic inclusion at the neighborhood level in places like East Baltimore provides a glimpse as to how correcting local policy mismatches can access to regional benefits. Correcting decades of inferior policy and physical infrastructure is necessary to bring back all forms of capital. Policies are extracted from regions doing just that in Michigan, Connecticut, Baltimore, and Oakland among others, creating infrastructure in predominately African American neighborhoods, using legislation, land banks and institutional investments to rebuild neighborhoods from within.

The remaining pages identify applied strategies for legislation and programs addressing various aspects of the four focus areas described above. Case studies are offered to present potential policies for consideration by stakeholders in the Cleveland region. Each case study will assess what conditions created disparities, why it merits consideration in Cleveland, where it has been used, what agents and elements were involved in implementation, what challenges can limit its effectiveness, and how it can aid isolated and disenfranchised African American households and businesses. Following the case studies are strategic action steps to promote more inclusive and regional economic development.

**Labor Force Development: The Essential Ingredient for Economic Development**

Globalization’s impact on Cleveland, and regions with similar conditions, encourages us all as to the importance of developing the capacity to better cope with economic shifts using regional assets. At the regional level, labor-force-based economic development policy is increasingly being applied by a number of regions to address changing economic conditions. From Cape Islands to Pittsburgh, regions are exploring ways economic and workforce development can ease the impact of negative and sustained global economic ripples.

Regions with a reliance on single industry are shedding that risk with new integrated policy interventions. The Cape Islands Workforce Investment Board (WIB) looked within to create economic prosperity, incorporating layers of partnerships focused on a
singular goal. That goal was to better position the region to cope with the decline of its principal industry, tourism. The WIB focused on incumbent worker training, as opposed to welfare-to-work or other labor market entry strategies. Further, the WIB agreed to continue working with state and federal agencies, non-profit and for-profit educational institutions, public schools, the community college, and private employers to provide the job-ready skills in its critical clusters. In addition to English proficiency, the WIB also looked to bolster worker preparedness in the immediate- to long-term future for its under-skilled and low-skilled residents.

The WIB proposed worker preparedness should infuse short-term training that moves unskilled workers into low-skill occupations and that help low-skill workers move up the career ladder into paraprofessional, technical, craft, and trades positions in critical and emerging clusters. Further, the WIB strategy included facilitating greater business access to selected training for management and staff development, particularly in areas that involve cross-industry and transferable skills. The WIB also proposed to continue support for the federal School-to-Career Initiative, supporting public school teachers and program coordinators in their training roles in the workforce development system.

Research as into the state of integrated workforce and economic development systems revealed that willingness and ability (i.e. policy and resources) to pursue this strategy were “intimately embedded,” and reflected a workforce development system’s ability to meet economic and employee needs. This insight was developed in the State of Michigan, a state also struggling to cope with the precipitous decline of its manufacturing sector.

Anderson’s (2004) analysis finds:

- The connection between workforce development and economic development has grown stronger over the last several years and is very prevalent in Michigan,
- Areas where workforce development and economic development are integrated seem to be more effective at achieving their performance goals than those where more separated systems exist; and
- A cluster-based approach with healthy competition tied to collaborative, complementary and innovative development work between firms, organizations and institutions appears to be one of the most prevalent common denominators among the various models.

Results also point to a disturbing trend among practitioners at the state and WIB level—a lack of coordination resulting in lost opportunities to stabilize and upgrade their workforce. In Anderson’s (2004) study, no organized way of disseminating and sharing information as to how to connect workforce and economic development existed. This capacity transfer friction lead organizations to spend time needlessly reinventing processes, when enough capacity already existed based on the experiences of their colleagues.

The disparity between slow-growing and emerging areas have resulted in more support by the Federal government to provide policy infrastructure and resources to overcome barriers to transformative, comprehensive change. The Department of Labor Employment
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and Training Administration (DOL-ETA) recently enacted and funded regional workforce and economic development initiatives under the Workforce Innovation in Regional Economic Development program, or WIRED. Letters went to the Governors of each state requesting no more than three proposals. Qualified proposals were determined through a competitive application process, which narrowed the field to thirteen WIRED regions. Many of the WIRED regions were similar to Cleveland, in terms of strategy orientation and regional economic/workforce conditions. A review of these areas demonstrates WIRED regions are pursuing strategies to bolster entrepreneurship, mature-worker preparedness, industry sector alliances, and research and development similar to Cleveland. The Piedmont region in North Carolina (profiled earlier as “Northwest North Carolina”) is among the WIRED recipients. WIRED recipients were also cities located in the border state of Michigan, including Flint, Saginaw, Grand Rapids and Detroit. The conditions putting pressure on WIRED regions requesting assistance were shown to be broad, and broach the issues central to many stakeholders in Cleveland: From low labor force participation, poor test scores and antiquated “factory employment” culture, to slow-growth, low educational attainment levels, and aging populations; compounded by the rapid loss of younger citizens to other parts of the country. The following provides detailed case studies on workforce development strategies.

2. Case studies of industry-focused workforce development:

   a. WIRE-Net - Attracting and Retaining Manufacturing in Cleveland’s West Side Community

Cleveland’s West Side neighborhoods are home to a high concentration of small and medium-sized manufacturers and related firms. Currently, over 600 firms employ 27% of the area’s workforce. In the mid-1980s—as economic restructuring was leading to plant closings and layoffs—three community development corporations joined together to form the Westside Industrial Retention and Expansion Network (WIRE-Net) to help companies stay and prosper in the area.

Its mission is to retain, grow, and attract manufacturing-related businesses and connect leaders to each other and the West Side community. Over the years, the nonprofit economic and workforce development organization has evolved into an expert labor market intermediary; becoming a trusted partner for hundreds of area businesses and helping thousands of West Side residents begin careers in manufacturing.

WIRE-Net has developed an innovative, employer-led strategy. At the heart of its approach are the extensive, long-term relationships the organization has cultivated with local firms. Over 200 West Side companies participate as dues-paying members, providing access to a variety of business services such as networking and peer learning opportunities, workshops and training on industry trends and innovations, consulting, and industrial real estate development. In addition to these “inside the plant gate” services, WIRE-Net also engages in “outside the plant gate” strategies, including workforce training and policy advocacy on issues that improve the business environment for manufacturers.

WIRE-Net began its workforce development activities after its members described their challenges in finding qualified entry-level and advanced machinists. To help them—and to connect low-income, primarily minority, residents with well-paying jobs—WIRE-NET
operates job assessment, referral, and placement services. Since 1989, the organization has made about 160 placements per year and has helped many other residents find jobs on their own. In addition to linking residents with jobs, WIRE-Net also helps job applicants overcome such barriers as lack of childcare or reliable transportation. With WIRE-Net’s help, many residents have secured jobs that pay higher wages and provide more benefits than those they previously held. In 2004, the organization placed 134 residents in positions with an average wage of $10.23 per hour. The majority of the positions offered full benefits, including health care coverage and paid vacation.

WIRE-Net also works to prepare youth and adults for careers in manufacturing. From 1998 to 2004, WIRE-Net operated a training program that prepared job seekers for entry-level positions in precision metalworking. Through this initiative, 54 area residents completed training courses, and 41 of them were hired by local companies. In recent years, WIRE-Net changed its approach and now partners with local educational institutions including the Cleveland Municipal School District and Cuyahoga Community College on job training initiatives. WIRE-Net also builds leadership and advocates for policy changes that affect the manufacturing sector. WIRE-Net focuses on three areas of policy change:

- Promoting the adoption of skills standards for workers
- Improving the local business climate for manufacturing
- Upgrading education and training systems

Through its business services, workforce training, and policy advocacy activities, WIRE-Net has been an important force in the local and regional economy. While the region as a whole experienced a 21% decline in manufacturing employment between 1993 and 2000, the West Side community experienced a 9% increase. Though not the only force working to grow manufacturing jobs in the community, WIRE-Net is contributing to the area’s competitive edge. Initiatives like WIRE-Net should be supported and expanded in Cleveland’s urban neighborhoods.

**b. Focus: HOPE - Building Opportunities for Minority Workers in Detroit’s Auto Industry**

Focus: HOPE is a civil and human rights organization founded after the 1967 riots in Detroit. Over the years, the nonprofit has helped thousands of low-income residents meet their basic needs and gain the skills and education necessary to exit poverty. Training and job placement services are a central component of their work. Through model training programs, Focus: HOPE has connected over 5,000 men and women to careers in manufacturing, information technology, and engineering within Detroit’s auto-related industries, breaking down the barriers that have kept minorities and women from jobs in this occupation.

As a sector-based workforce development initiative, Focus: HOPE targets machinist occupations in metalworking and manufacturing industries. Despite transformations in auto manufacturing, it remains one of Michigan’s key industries. Production is concentrated in the Detroit region, home to the Big Three automakers (General Motors, Daimler-Chrysler, and Ford) and a number of small firms and suppliers. Jobs in these shops offer good prospects for low-skilled workers. They pay decent wages and provide
opportunities to either advance within a firm or move up from a non-unionized (and lower-paying) job at a small shop into a unionized job at one of the Big Three companies. Many barriers prohibit low-income, inner-city workers from entering and advancing in machinist occupations. When Focus: HOPE opened its doors, no comparable programs existed in the area. Most machinists are trained at community colleges or technical institutes. The most noted and extensive programs in the Detroit region are offered at Henry Ford and Macomb Community Colleges, both of which are located in the suburbs and difficult for central-city residents to reach. And only a small percentage of apprenticeships (the traditional route to advance to a journeyman position) go to minority or female trainees.

Focus: HOPE’s variety of training programs respond to these challenges and help minorities and women access careers in manufacturing. Their core program is the Machinist Training Institute (MTI), a 31-week program that prepares participants for entry-level jobs in precision machining and metalworking through a combination of classroom instruction and on-the-job training. To enter MTI, students must possess a high school degree or GED, a 9th grade reading level, and 10th grade math skills. Between 1981 and 2004, MTI graduated over 2,700 machinists. Their starting salaries are $11 per hour and, after a few years of working, their salaries increase to $40,000 per year or more. The organization also offers basic training programs that help students improve their reading and math skills until they can enroll in MTI—thus reaching people who would not be able to attend community college. Focus: HOPE also offers specialized programs that prepare students for industry certifications in information technology careers such as network administration and desktop support, as well as a college degree program in manufacturing engineering offered in partnership with area universities.

In addition to its training programs, Focus: HOPE works with important stakeholders—manufacturers, labor, trade associations, policymakers, and other regional actors—to plan and advocate for policies that improve the climate for manufacturing in the city. Through these activities, the organization has helped expand economic opportunities for Detroit’s low-income residents. Similar training programs, targeting key emerging employment sectors, could be critical for expanding economic opportunities for Cleveland’s African American workers in economically disadvantaged neighborhoods.

c. SEIU’s “Unfinished Business” Campaign for Self-Sufficiency Wages in Baltimore’s Health Care Sector

Baltimore’s local chapter of the Service Employees International Union (1199E-DC) primarily represents low-wage service employees at four area medical institutions; Johns Hopkins Medical Center, Greater Baltimore Medical Center (GBMC), Sinai Hospital, and Maryland General Hospital. In December 2003, as contracts for 3,500 members were expiring at three of these institutions, the union launched an innovative and holistic campaign to negotiate better contracts for its members and push for broader policy changes that would secure a better future for all low-wage workers. They titled their campaign “Unfinished Business,” referring to the unrealized quest for economic justice for all workers. The campaign called for self-sufficiency wages for health care workers—meaning wages that are high enough to enable workers to secure basic needs such as housing, transportation, health care, and child care, without outside assistance. According to an independent study by Wider Opportunities for Women entitled The Self-Sufficiency...
Standard for Maryland, a basic budget for a family of three in Baltimore City requires earnings of $17.41 per hour. The average wages for SEIU’s members working at the three hospitals, however, was $11.11 per hour, qualifying them for up to $13,576 per year in public assistance benefits.

To build support for the campaign, SEIU organizers first conducted outreach in the neighborhoods where their members live, listening to community concerns and speaking with key stakeholders such as faith leaders, community organizations, and local and state elected officials. Through these meetings, union organizers and other stakeholders began to recognize the connections between low-wage work and the conditions of their neighborhoods. Many SEIU members lived in the city’s poorest neighborhoods and faced a host of housing and other challenges.

These discussions shaped a second key component of the campaign; Putting Baltimore’s People First, a report analyzing the connections between Baltimore’s economic potential and large employers’ responsibility to pay higher wages. The report described how poorly Baltimore’s investor-driven economic development policies have served the city’s residents and argued that raising the incomes of low-wage workers can stimulate economic development as these workers spend their money in the local economy. Based on this “multiplier effect,” raising SEIU members’ wages at the three hospitals to $17.41 per hour would lead to a $63 million increase in the city’s economy within one year. The report was released at a press conference, and an accompanying pledge to support self-sufficiency wages and unionization in the health care sector was endorsed by 23 elected officials, including Mayor Martin O’Malley.

Though it has not yet secured self-sufficiency pay for low-wage health care workers, the Unfinished Business campaign has led to a number of positive outcomes. In June 2004, SEIU settled its contracts with all three hospitals. The new two-year contracts included, for the first time, a wage scale, which sets pay increases for two years depending on grade of position and length of service. Additionally, at Johns Hopkins Hospital, SEIU secured a new benefit for junior employees—scholarships for children of SEIU members who are interested in attending the university. The report and the campaign have also stimulated citywide discussion about a self-sufficiency wage, and the city council passed a resolution calling for further study of how the self-sufficiency wage would affect Baltimore. SEIU is continuing to explore mechanisms to advance self-sufficiency wages for health care workers. Their efforts to date have led to an understanding that moving a high-road economic development agenda will require strong alliances between labor and community. To help move this agenda forward, the union merged with SEIU 1199 New York, in July of 2005.

Although a “public campaign” to force higher wages may not be politically prudent in the Cleveland region, collaboration with key health care providers in the region could be beneficial for expanding economic opportunities for African American workers. Given the importance of the health care industry in Cleveland’s economic future, supporting livable wages in the health care industry and training African American workers for emerging health care occupations would support greater economic equity.

d. Career Readiness Certificate / Manufacturing Skills Certification - States’ Increasing Confidence & Transparency Within Important and Emerging Sectors
Employers and regions share a common need for trainable employees. In 2003, a collaboration amongst six states (VA, TN, WV, KY, MD, NC, and Washington, DC), known as the Readiness Certificate Consortium, developed the Career Readiness Certificate (CRC). Its goal is to provide its workforce with portable credentials that indicate attainment of criterion-referenced workplace literary skills. Career readiness certification addresses the training concerns of employers, reduces training costs and allows businesses to focus on providing employees further apprenticeship opportunities.

Nationally, experts predict by 2010, over 80% of all jobs will require skill levels beyond those gained in high school. CRC provides benefits to each state’s workforce and enterprises, particularly manufacturing. Members of the Readiness Certificate Consortium, in conjunction with the CRC, developed a “Skills Bank” database to manage data. A free, web-based application can be queried by employers along several criteria including geography and certificate class to match demand and supply. Skill assessments are designed to predict workplace success based on workplace literacy. Literacy is measured based on skills needed on the job, existing employee skills to indicate specific skills which need to be trained to close the compatibility gap between what is known versus skills required.

Similar to the Career Readiness Consortium, a manufacturing sector of the Career Readiness Consortium is active in an even greater number of states. The Manufacturing Skills Standard Council (MSSC) certification makes direct links between academic institutions and firms to certify higher-quality, specialized workforces in the globally competitive marketplace. MSSC certifies workers for employment in the increasingly important light manufacturing sectors of bioengineering, nanotechnology, microelectronic and mechanical systems. The Council’s approach to the certification process is to develop “foundational skills” in the manufacturing context.

Career readiness certification is the product of a series of relationships at the local and state level. Adoption into the Consortium must also be supported with links to academic institutions, such as Community & Technical Colleges and secondary schools. To date, Ohio is not a member of the Career Readiness Consortium, but interest has been expressed in its adoption. States participating in the Consortium include West Virginia and Indiana, close neighbors and competitors to Ohio for manufacturing investment. In addition to membership, funds need to be allocated for certification of individual workers. Costs are shown to vary from state to state, but are “typically less than $100 per individual.”

African Americans have a vested interest in combating the spatial mismatch between quality employment and the African American workforce. There are opportunities to advocate for a CRC-initiative that connects African Americans to employment in emerging and important sectors, such as health care. The following are key considerations when considering a CRC-initiative: Identification of sites to administer certification in areas of geographic concentration should be in proximity to transit; marketing must ensure accessibility of material to potential workers; and adoption by firms across several industry classes is important for broad acceptance by employers and employees, but that is a process that is heavily dependent upon sectors/firms selected.
High-value entities like WIRE-NET should be encouraged to adopt the certification as a means to lend credibility to the effort and can serve to attract even more high-quality talent to the organization. Further, a review of the programs offered by Tri-C reveals several certificate-granting programs for students with and without degrees. Aligning career certification programs with Tri-C programs, in particular, certificate-bearing programs in the important and emerging sectors in Cleveland, can provide mutually beneficial results that create a conduit for talented workers.

3. Case studies of MBE / SBD development:

a. Minority Business Accelerators - Regionally Aware, Corporate-Focused Inclusion Strategies in Cincinnati, OH

The 2001 race-related riots in Cincinnati revealed long-standing resentment and inequities between African Americans and Whites. Cincinnati, already facing pressure internally to deal with inclusion and prosperity, now found its response to racialized problems would also have the attention of the national stage. A strategic response had the potential to help shape a more inclusive Cincinnati moving forward into the 21st century, but from where would the momentum for such a response come from? Cincinnati’s business and private sector leadership capitalized on the opportunity to lead this discussion, forming the privately funded CAN Commission. The Commission’s report detailed widespread tension between Blacks and Whites, and deep-seated frustration from racial disparities in employment, education and the justice system.

Of special importance to the Commission was addressing major economic disparities in African American business and entrepreneurship. The Cincinnati region is about 43% African American, yet African American entrepreneurs account for only 2% of the aggregate revenue generated by local entrepreneurs. The timing provided an opportunity to take these findings by the CAN Commission and chart an unprecedented and bold response. This led to the formation of the Minority Business Accelerator, (MBA) within the Cincinnati Regional Chamber of Commerce. The newly formed MBA set out on its mission to “accelerate the development of sizable minority businesses and strengthen and expand the regional minority entrepreneurial community, with an initial emphasis on African American owned businesses.”

The Minority Business Accelerator works to forge relationships, not simply bid opportunities, to sustain Black businesses in the long term. John Young, Director of the MBA, said the MBA seeks to partner African American businesses that “have goods and are a good fit” with Cincinnati’s corporate partners. The MBA approach is to deliver more sizable and scalable MBEs to the market place (supply-side) as well as create a more aggressive and robust corporate MBE procurement environment (demand-side). The MBA has built relationships with Cincinnati’s African American MBEs and corporate partners, several of which are Fortune 500 companies. The MBA relationship-building strategy acknowledges that assets come in several forms and inclusion efforts must be cross-sector to be transformative at the firm and neighborhood levels.

The MBA focus on attracting corporate partners and preparing African American businesses to succeed is sustained by market driven growth strategies. The MBA cultivates African American MBEs most capable of filling the supply chain gaps of its corporate partners. Further, the MBA seeks to grow African American MBEs with
competitive strategies employed by larger, mainstream firms. Among them is merger and acquisitions to create larger-scale enterprises. The MBA also encourages tangentially-oriented companies to form Joint Ventures in an effort to better position them for corporate procurement relationships. Contract development is another specialty of the MBA, whose “Deep Dives” approach aims to reduce the friction between corporate partners and African American businesses by honing business plans, and MBE value proposition to generate near-term purchasing by corporations.

Major procurement initiatives have made the MBA a local leader in corporate procurement opportunities for African American businesses. The MBA recently initiated an aggressive pilot capital campaign generating millions of dollars in procurement commitments from participating corporate partners. The campaign had an original goal of generating commitments from regional businesses totaling $175 million dollars. By campaign’s end, the MBA exceeded its goal by nearly 15% - generating $200 million dollars in commitments from 15 companies regionally located or headquartered in Cincinnati. Director Young says works has already begun on the 2008 campaign, which hopes to generate one-half billion dollars in corporate commitments. The responsibility of tracking and reporting remain a high priority to the MBA and its corporate partners. Reporting is completed through a confidential process, verified directly by partner CEOs.

Cincinnati’s Minority Business Accelerator provides an example of a privately-led, regionally and racially aware economic development intervention. Under these conditions, the MBA is primarily supported by private dollars, with some support from the City of Cincinnati. The MBA does maintain connections with academic institutions; in particular, the University of Cincinnati and University of North Kentucky operate as goal setters in the procurement campaign.

The MBA looks to step beyond the classic Incubator strategy to help African American businesses compete in regional and global economic settings. Further, unlike the strategy utilized in St. Louis, the Cincinnati MBA is an example of a deliberate strategy that targets African American MBEs. The MBA ability to directly target African American MBEs, versus a broader class of “disadvantaged businesses,” is a direct result of not having to navigate a legislative structure making it difficult to be consistent with addressing the issues detailed in the CAN Commission report.

The program’s existing structure can give rise to challenges yielding overexposure and reliance on broader economic trends which can inhibit long-term sustainability for opportunities outside of Cincinnati. Diversifying the procurement pool and preparing MBEs for corporate and public relationships can provide additional capacity development exposure to build African American business with broader reach in the region and beyond. A procurement diversification may provide a reasonable hedge for MBAs and African American business against declining commitments or corporate relocations that sever local ties. The Banks Project is an example of public works projects where stronger MBA municipal government relationships can add additional capacity-building opportunities for MBA participants.

The Minority Business Accelerator provides an in-state example of business creating inclusive and eventually more efficient regions, enterprises and to some, host neighborhoods. The “free market focus” applied by the Cincinnati MBA subscribes to the
notion that if African American businesses grow at an accelerated rate, they must hire at
an accelerated rate which means more jobs for minorities and, in particular, African
Americans. The fact that many of the MBE firms were located in the urban core lends
support for this claim, as surveys by the Regional Chamber found that a significant
proportion of the workforce (at least 50%) in core neighborhoods was African American
and nearly 60% were racial minorities. Admittedly, business development and
neighborhood development is not a linear relationship. However, the lesson that can be
learned from the Cincinnati model is that a business-first strategy ought to have an
awareness of how best to leverage its relationships for the betterment of its
neighborhoods. Relationships with public and academic institutions are equally important
to the MBA outcomes as good rapport with corporate partners. Given the overlap and
similarities in economic profile, the MBA, as part of a series of regional inclusion tools,
can better position the already strong MBE contingent and promote expansion into the
region’s emerging industries.

In 2005, 11 Fortune 500 companies were located in Cincinnati—identical to the number of
Fortune 500 companies located in Cleveland. There appears to be an adequate amount of
awareness around economic disparity for Cincinnati MBES and African Americans, and
large corporate partners, similar to the Cincinnati context. Identifying MBES, corporate
and private sector partners will make strides to develop the internal capacity to prepare
businesses to meet corporate supply gaps and municipal contracts. Other considerations
that can increase the effectiveness of an MBA in Cleveland are making explicit
connections between MBES by size, and calling on larger MBES who are direct suppliers
of goods and services to corporate partners to participate in grooming emerging MBES.
Meeting corporate gaps in the supply chain through the larger MBES provides additional
growth opportunities in the competency and resources as part of a cycle, creating more
sophisticated partnerships from which participants can sustain themselves. By
incorporating MBES as a focus through already-established channels, such as the
Cleveland Commission for Economic Inclusion, allies are able to provide scale and
awareness advantages in the implementation and promotion of a Cleveland-based MBA.

b. Mentor-Protégé Economic Inclusion Programs - Opportunities for Cultivating
Economic Inclusion In Cleveland’s Important and Emerging Sector

Networking is described as a necessary aspect for any business development, but
especially for minority-owned businesses. In practice, networking is a part of the “soft-
skills” that help support future business leaders, and spur innovation and collaboration for
firms. These interactions also serve to develop a corps of intermediaries to continue a
cycle of entrepreneurship, civic engagement and cluster sustainability. Being removed
from meaningful interactions has an especially depletive effect on this cycle for African
American businesses that often lack the social capita and built-in contacts of most White
male-owned firms. Aside from a lack of interaction with White-owned firms, an
opportunity to spur the innovation cycle between incumbent and emerging MBE firms
exacts an opportunity cost as well.

In 2004, St. Louis piloted the Mentor-Protégé Expansion program, administered by the
City of St. Louis for contracts in the construction of the Lambert-St. Louis International
Airport Expansion. The program is said to be designed to benefit disadvantaged
businesses (DBE), prime contractors and the City of St. Louis. The program has three
stated goals: Enhance DBE firms' capacity to perform on City of St. Louis contracts; foster the establishment of long-term business relationships between DBE and mentor firms; and increase the overall capacity of DBE firms to perform on current and future contracts. The program creates incentives for DBE firms to participate due to the close interactions and activities they can have with the prime contractors. These activities include: Management guidance for financial, organizational, overall business management and planning; business development; and transferring expertise to other projects. Further, mentor firms also offer guidance in engineering and other technical matters, rent-free use of facilities and/or equipment for training, and temporary assignment of the mentor's personnel for training. A unique aspect to this program is DBE firms also have the potential to mentor DBE firms earlier in the pipeline. The mentor must be eligible for City of St. Louis contracts and meet minimum technical requirements for the runway project. The early success of the program allowed for its adoption of the construction of Busch Stadium as well.

African American businesses and workforce require greater exposure to numerous channels that support economic inclusion via programs, certification, and most importantly—employment and entrepreneurial opportunities. The St. Louis mentor-protégé strategy demonstrates that it values business-building over bid-winning by rewarding DBE firms that become increasingly competent.

Aside from opportunities to increase competency, it also provides meaningful interactions with mainstream, larger enterprises to further broaden opportunities for contracts outside public works. Taking this model a step further may include sector-targeting, in particular mentors and protégé firms in Cleveland’s important and emerging sectors. The potential to reinvigorate African American MBEs through mentorship provides opportunities for all participants to take part in strategic and technology transfers that breathe life into older businesses and provide wind in the sails of newer ones—which benefits the entire community. In St. Louis, in addition to required interactions, a series of tracking and benchmarking activities is coordinated by an Inclusion Manager. Similar initiatives in the Cleveland region could expand and strengthen the region’s critical Minority Business Community.

4. Case studies of leveraging and distributing resources and investments:

a. Community Benefits Agreements - Regional Economic Development Activity for Inclusion & Capacity Building

Community Benefit Agreements (CBAs) are emerging as economic inclusion tools for the development of property by real estate developers and coalitions of community organizations. CBAs are intended to address a broad range of community needs. CBAs have been employed to mitigate overexposure of communities to negative externalities and hollow promises from development. Further, they create a structure to distribute the benefits of major developments to the community as a whole. Typically, a developer and community coalition are legally bound to engage in, and structure, responsibilities and activities to meet community needs and developer interests. CBAs themselves are a response to the often unforeseen ripple effects of economic development efforts which occurred throughout the ‘90s. The rise of public-private partnerships which promised urban revitalization fueled a spending spree where states, counties and cities spent a
Projects funded through public-private arrangements, often heavily subsidized by taxpayer dollars, produced what many consider to be decidedly mixed results for its proposed benefactors—city dwellers.

CBAs have been effective against negative externalities and developments which further weaken core neighborhoods, destabilize neighborhoods through increased property speculation and gentrification. Past CBAs have been successful in negotiating the following investments in residents and neighborhoods:

- a living wage requirement for workers employed in the development;
- a “first source” hiring system, to target job opportunities in the development to residents of low-income neighborhoods;
- space for a neighborhood-serving childcare center;
- environmentally-beneficial changes in major airport operations;
- construction of parks and recreational facilities;
- community input in selection of tenants of the development; and
- construction of affordable housing.

CBAs are preceded by several factors external to the places where CBAs are targeted for application. Among the factors to consider outside the neighborhood (possibly regional) when estimating developer willingness to engage in CBAs are:

- the increasing private-sector interest and expertise in urban projects;
- growing urban density;
- declining Federal aid to cities.

Examples below are intended to illustrate the scope, scale and outcomes of CBAs to strike a mutually-beneficial balance.

**Berkeley & Oakland, California**

The East Bay Alliance for a Sustainable Economy (EBASE) is working with a coalition of labor and community groups to win a CBA for a proposed University of California development that includes a full-service hotel and conference center. The coalition is calling for union construction, union hotel jobs at a living wage, money for affordable housing and an affordable childcare linkage fee. EBASE successfully campaigned for a vote in favor of these principles from the City Council of Berkeley, where the UC project will be located. EBASE is also leading a campaign to win community benefits from the massive redevelopment of the former Army base in West Oakland, including ensuring that a “community fund” promised to residents is fully funded and that the project meets community needs for living wage jobs and affordable housing.

**Denver, Colorado**

Denver’s redevelopment agency is considering granting a public subsidy to the developer of a large, multi-use redevelopment project on the site of the historic Gates
Rubber Factory. A coalition of labor unions and community groups, coordinated by the Front Range Economic Strategy Center, is negotiating a Community Benefits Agreement with the developer. The coalition is pressuring the redevelopment agency for improvements in the project and increased community benefits, given the large amount of taxpayer money to be spent. While negotiations over the bulk of the project continue, the coalition—known as the Campaign for Responsible Development—entered into an enforceable memorandum of understanding with the developer, under which the coalition agreed to support a requested zoning change, and the developer agreed to keep certain big-box stores out of the area.

**Milwaukee, Wisconsin**

The Good Jobs and Livable Neighborhoods Coalition are working on initial implementation issues for the Park East Redevelopment Compact. Despite opponents’ claims that the community benefits requirements would rule out developer interest in projects in the Park East Corridor, there are at least six different proposals in the works for the first parcel for sale under the new requirements. The Coalition is advocating for selection of a project that will provide the maximum beneficial impact on surrounding communities.

**New Haven, Connecticut**

In November 2004, the Yale University Medical School announced plans to construct a new $430 million cancer center, which will be a 14-story, comprehensive clinical cancer care center. The university projects that the center will create 400 new permanent positions and 350 construction jobs. The project is to be completed by fall 2008, and is likely to receive federal, state, and local subsidies. The Connecticut Center for a New Economy is leading a coalition advocating for a community benefits agreement for the project. The city’s Board of Aldermen passed a resolution “strongly urging” the university to enter into community benefits negotiations.

CBAs are a market-based, community-oriented development tool: they do not require a legislative process and provide the basis to develop legislation that supports broad applications based on performance. Scholars on the subject suggest that the CBA is a viable way to move away from the question of “is it right to do,” and instead focus on “what kinds of benefits a CBA should include.” The CBA is not intended to slow down development; in fact in several applications the development agreement negotiations may be going on while the CBA is also being negotiated, but the CBA needs to be finalized first. CBAs serve as evidence that nonprofits are using their sophistication to make existing economic development systems work to their benefit, without the need for new legislation.

- Implementing CBAs comes with its share of challenges outside of developer disillusionment. CBAs are above all else, contracts. Capturing the spirit and substance of the CBA requires careful conception. LeRoy (2005) alerts potential CBA users to potential risks, such as undercapitalization by community groups to avoid setting poor performance precedents. Further, adequate monitoring and tracking to meet stakeholder contractual criteria were tops on a list of priorities.
Community groups with a strategic focus on African American communities have an opportunity to leverage their expertise and understanding of neighborhood trends and needs as part of a broader strategic response when making the case for standardized CBA guidelines in the region. It also provides greater exposure for the need to develop responsibly, and this is in fact smart business. A responsive CBA structure provides the capacity to respond to challenges in a timely manner which sustains community support. This structure also adds value to the region through its collective capacity to articulate the economic development case for CBAs and making a business case for CBAs.

b. Michigan’s Cool Cities - Spreading Economic Inclusion Statewide

The Cool Cities program is Michigan’s state-level economic inclusion initiative. The pilot program, launched in 2004, continues to grow. The state had a dire need to addresses losses in economic productivity and population. Cool Cities acknowledges the importance of “how a region grows physically affects how it grows economically, and how it grows economically affects how it grows physically.” It has turned its attention to revitalizing its neighborhoods to lead to net gains in both areas. Specifically, the program attempts to create what it calls TIDE: “attracting the Talent, spurring the Innovation, fostering the Diversity and creating the Environment to meet the present and future needs of Michigan residents.”

The initiative acknowledges four main points about the state’s economic development:

- The economy has shifted from manufacturing to service and knowledge.
- Population growth has a positive economic impact.
- Dispersed growth patterns are counterproductive to the overall economic well being and quality of life in the state.
- Young knowledge workers will move into cities.

In 2004, 20 cities received grants and other resources as part of the pilot program. In 2005, the program grew 50%, increasing the number of participating cities to 30. Michigan's Cool Cities Initiative is divided into four segments: (A) Marketing the Idea; (B) Learning from Cities and Citizens; (C) The Cool Cities Grants & Planning Programs; and (D) The Cool Cities Resource Toolbox. The state allocated resources to market the program and calls on its participant cities for promotion using several channels, including the internet and mass media. In addition, stakeholders have been asked by the state to promote the initiative to its captive audience, primarily focusing on the need for urban reinvestment.

In developing the Cool Cities program, reeducation and grassroots linkages occurred. The state reviewed practices from leading thinkers and successful communities around the world and, spurred by grassroots efforts to create their own unique brand of vibrant, exciting, livable downtown and neighborhoods, develop the "Michigan Model" for economic growth in the creative sector. The Cool Cities effort is supported by several state level programs, including catalyst grants and packages of financial incentives to support economic development as part of a comprehensive delivery system.

Government cannot manage “cool,” nor should it. Instead, the people of Michigan decide how their communities can become more exciting, active, and economically sound. The
state government is helping to create cool cities by providing local governments and development organizations with the tools needed to accomplish these goals, including access to the grant programs in the Resource Toolbox, Cool Cities Grants and Planning Programs, and the availability of state department assistance specifically targeted to initiative-development efforts.

In Michigan, where the Cool Cities initiative was launched, Blacks are highly concentrated in places where the TIDE concept has the opportunity, in conjunction with local expertise, to develop stronger local and regional economies. In fact, the 2000 Census population estimates demonstrate that four out of ten places with the largest number of total residents have African American populations greater than 20%. In Ohio, the number is double, with eight out of ten of the largest population centers having a Black population higher than twenty percent. The Cool Cities initiative should be considered for Cleveland and Ohio, with a particular focus on those communities with large African American populations. African Americans in particular should look to learn more about the material benefits accrued to Blacks in Michigan cities and tailor a program that addresses some issues of concern in Ohio, namely; sprawl mitigation, and region-wide approaches to adaptive reuse of land and structures.

c. Private equity in undercapitalized entrepreneurial markets

Private equity is an alternative investment class which uses capital to purchase private stock, equity-linked securities of companies expecting to “go public” and increasingly, the buyout of public companies (or divisions) wishing to “go private.” Private equity, including venture capital, leveraged buyout, mezzanine financing and distressed debt investment, is becoming an increasingly robust alternative investment for a greater share of investors. According to the Dow Jones Private Equity Analyst, the industry has raised $215.4bn; with rate of returns nearly double the major stock markets (FTSE and NYSE) of the UK and US.

Private equity firms earn fees by managing their investments and managing the companies in which they have invested. Currently, two-thirds (66%) of high-growth entrepreneurial activity (venture capital investing) is clustered in four regions: San Francisco / Silicon Valley, Southern California, New York and Boston. Like venture capital investments, industry allocations are tightly clustered. By late 2006, the IT sector received over half of all investment dollars (54%), followed by healthcare firms (32%).

The industry’s strong growth is increasing expectations and attracting new participants. With strong commitments and well-heeled investors, there has been a steady increase in the number of firms competing for commitments. Nearly two thousand companies worldwide have not raised capital since 2000 or 2001 and are still operating, yet consolidation after 2000 saw the number of venture capital firms shrink 49% since 2000.

In sum, larger sums of capital are chasing fewer deals around the world, resulting in overvaluation at the high end, but potential undervaluation at the low and mid-section of the distribution. Therefore, there is emerging opportunity for private equity firms operating “downstream,” those investing in small to mid-size firms. Across the nation, firms providing capital in distressed areas were virtually nonexistent ten years ago, but eight firms were attracting nearly $900 million dollars by 2004. This segment saw a major
spike in investment commitments between 2001 and 2004, almost doubling the amount of money invested.

There are two potential avenues for Cleveland to increase its involvement in the private equity sector: through participating in data collection for the Urban Entrepreneur Partnership, and developing expertise in the “downstream-to-upstream” private equity business model.

The Urban Entrepreneur Partnership (UEP) is a federally- and institutionally-supported agency whose primary mission is to coach small businesses and network the disconnected patchwork of lenders and business that already exist. The UEP is aimed at importing national franchise chains and dealerships to the urban core, and sites include Atlanta, Cincinnati, Cleveland, Kansas City and Jacksonville, FL (Milwaukee is now dissolved). The Kauffman Foundation is seeking to build a dataset over the next five years on entrepreneurial activity in urban spaces. One recommendation is to encourage the Kauffman Foundation and local institutions, such as the Cleveland Foundation, to take up this effort and possibly include rural entrepreneurial activity as well.

Investors have demonstrated they are willing pay for specialized knowledge about opportunities. Opportunities arise for downstream private equity firms to sell their valuable expertise to both investors and upstream private equity firms, with the end goal of preparing emerging and domestic market firms for eventual buyout and IPO exits by larger private equity firms. Those firms best at identifying core and rural opportunities will eventually be positioned to do larger, riskier deals, which encourage the entrepreneurial culture found in the “Big 4” regions. The following are recommendations for building up this downstream-to-upstream model:

- Create value for upstream firms with the appropriate management structure and by providing experiential and information depth about emerging and underserved markets.
- Whether exclusively market-driven or reflecting a blend of mission and market objectives, downstream private equity firms should strategically engage global and rural partnership opportunities. These partnerships may provide entry and exit opportunities for holdings.
- Develop competencies in private equity activities: pre-seed, seed, acquisition, expansion, and distressed debt; and target start-up, small, and mid-size firms in underserved and emerging domestic markets.

5. Case studies which focus on neighborhood development:

a. Focusing on Liquidity - Managing For Returns and Creating Opportunities in Urban Neighborhoods

In May 2000, Philip Angelides, State treasurer of California, concerned with the State’s widening gap between prosperous and disinvested neighborhoods, decided to take action. Mr. Angelides realized the importance of scale, initiating a statewide effort aimed at creating economic inclusion while maintaining growth. The Double Bottom Line Initiative and Smart Investment Initiatives looked to pension funds, CalPERS and CalSTRS, as resources for direct investment in the numerous communities and regions of California’s economic health and sustainability. A double-bottom line strategy, in play
nearly six years, has coincided with the increased awareness of the benefits of development in urban neighborhoods. Development firms and financiers such as Johnson Development Corporation and Urban America L.P. are just a few organizations creating capacity in California and exporting their expertise across the country.

The Double Bottom Line Initiative and Smart Investment Initiatives steer investment capital towards lower-income emerging markets in an attempt to tap the potential of disinvested areas, bridge the wealth gap, and offer strong returns on the investments. The initiatives have directed more than $14 billion in investments toward business opportunities and community programs to mitigate the increasing economic disparity in California. In June 2000, approval was granted for The California Initiative, a $500 million investment fund targeted to businesses locating and expanding in underserved communities—with the “double bottom line” goals of achieving risk-adjusted, market returns for the pension system, while broadening economic opportunity.

In addition, the following resources were made available for investment in Californians through these pension-fund sponsored initiatives:

- More than $1 billion in investments by the California Public Employees’ Retirement System (CalPERS) and the California State Teachers’ Retirement System (CalSTRS) in real estate development in urban communities.
- Increased state deposits in community lending institutions, intended for small business loans and home mortgage lending.
- Financing for cleanup of contaminated brownfields sites that are health risks, environmental hazards, and untapped economic assets in many low-income and urban communities.

In Northeast Ohio and Cleveland, institutions are making similar investments aimed at increasing the breadth of opportunity. Capital investment strategies such as the Fund for Economic Future have commitments totaling over $26 million to promote economic development in Northeast Ohio. The fund has a focus to “encourage and advance a regional economic development agenda that recognizes the importance of core cities, inclusion, diversity and quality of life.” Jumpstart, a grantee of the Fund for Economic Future, has infused startup and growth capital, and business development expertise to early-stage entrepreneurial ventures in Northeast Ohio. The fund has received nearly $4 million dollars to help fund startups in Northeast Ohio in the region’s emerging sectors since 2004. As part of its belief core, Jumpstart has a stated interest in economic inclusion strategies, and believes “Inclusion, in its purest form, must translate to opportunity.” Jumpstart has adopted a keen focus in particular on “IT, advanced materials, and biosciences industries,” but investments that meet its criteria are considered outside of these sectors.

OPERS, one of the state’s public employee pension funds, has engaged in office development with junior equity partners that are neighborhood-focused organizations. For example, OPERS worked with the Dudley Street Neighborhood Initiative on the development of One Lincoln Tower (one million square feet of office and floor level retail located in Boston, MA). Further, OPERS has more recently partnered with Credit Suisse Boston to establish the Midwest-Ohio Fund in 2005. The fund intends to invest
$50 million dollars over 18-36 months in “buyout, venture capital, mezzanine, and other private equity funds that focus at least partially in making investments in Ohio and the Midwest.”

Developing a scalable, comparable approach to California’s urban reinvestment is not without its opposition. In North Carolina, similar efforts were rejected by its State Treasurer. The major concerns revolved around the perception that asset targeting is akin to becoming a pawn in the political realm. This risk is one that is viewed as capable of significantly diminishing a pension fund’s ability to manage for returns.

Business access to capital markets is an important part of any economic inclusion strategy. African American neighborhoods and businesses located in Cleveland’s core neighborhoods, downtown and inner-ring suburbs present significant opportunities, where in many cases, capital and investment structure are the major market barriers to investment. The potential for political pushback to pension fund anxiety must be weighed against the potential returns from a strategy that aims to create friendlier business climates, which includes safe neighborhoods, quality schools and cultural amenities. African American constituents should be part of a bottom-up strategy to lobby for the creation of targeted funds. It must be noted that the economic risk of venture capital funds and other private equity instruments have similar risk profiles, which may provide stronger support for market-managed, institutional scale investments in Cleveland’s core neighborhoods and inner-ring communities.

b. The Trinity/SINA Neighborhood Revitalization Initiative - Reinvigorating a Longstanding Collaborative Effort among Anchors in Hartford’s Southside Neighborhoods

Hartford, Connecticut, is an older core city that has struggled with economic decline since the 1960s. In 2000, almost a third of city households (31%) lived in poverty, with particularly dire conditions on the south side of town, where poverty is much higher (45% in the Frog Hollow neighborhood). The same area, however, is also home to a number of anchor institutions that have long collaborated on neighborhood-oriented projects. In recent years, these anchors have stepped up their engagement to create more economic and learning opportunities for south-side residents. In 1977, a grassroots community organizing group, Hartford Areas Rally Together (HART), helped motivate three anchor institutions—Trinity College, Hartford Hospital, and a mental health hospital called the Institute of Living—to partner in creating the Southside Institutions Neighborhood Alliance (SINA). For its first two decades, SINA worked closely with HART and other neighborhood groups to improve neighborhood quality of life through small-scale grants and services. In the mid-nineties, Trinity College renewed its commitment to improving the community. Like then-President Judith Rodin at Penn, then Trinity President Evan Dobelle viewed the college and the community as interrelated. In his words, he “envisions the college and the neighborhood as a single entity that is to be transformed into a community of learning.” Guided by this philosophy, the collaborative scaled up efforts to leave a positive mark on the community, gaining two additional anchor partners; Connecticut Children’s Medical Center and Connecticut Public Television and Radio. The cornerstone of the revived collaborative is the SINA/Trinity Neighborhood Revitalization Initiative, a comprehensive plan to transform the fifteen square block low-income area that includes the Frog Hollow and Barry Square.
neighborhoods. Dobelle committed $6 million of Trinity’s endowment to the project and leveraged an additional $130 million in public and private funding, including a $5.1 million grant from the W.K. Kellogg Foundation and multimillion dollar contributions from half a dozen local companies, including Aetna, Loctite Corporation, United Technologies, and Hartford Steam Boiler. SINA’s strategic revitalization plan includes education, housing, economic development, resident training and services, and technology and business development components.

- **Education:** SINA collaborated with the City of Hartford and the State of Connecticut to build a “Learning Corridor” located between Trinity and the other anchor institution partners. The corridor is a 16-acre campus that includes four inter-district public magnet schools (a Montessori elementary school, a middle school, and two high school academies), a performing arts center, and support programs for youth, including the Aetna Center for Families. The unique complex serves 1,500 students from over 40 school districts and is one of the most racially and economically diverse campuses in the country.

- **Housing:** The Cityscape Homeownership Zone initiative seeks to create opportunity and stabilize the neighborhood by enabling long-time residents who are first-time homebuyers to purchase homes in the neighborhood. To realize this goal, SINA faced the challenge of making homeownership affordable for its target market. An advisory group of residents helped SINA design a new home model that includes a rental unit to generate income for the homebuyer. Eighteen of these Cityscape homes have been built, and 33 more are planned. Foreseeing that the success of their initiative could increase housing values and negatively impact affordability in the neighborhood, SINA has purchased and land banked distressed properties for future development.

- **Economic development:** SINA’s economic development efforts have focused on renewing the Park Street retail corridor, the center of commerce and culture in the primarily Latino immigrant community. SINA partnered with the Spanish American Merchants Association and the city to develop a long-term revitalization plan for the district. The collaborative has received $6 million in state and federal transportation funding to implement streetscape and infrastructure improvements, scheduled for completion by 2006.

- **Resident training and services:** To address the critical need for job training and social services, SINA has provided resources to help existing community-serving institutions expand their operations. SINA built a new Boys and Girls Club, donated a large building to Mi Casa, a youth and family services organization, and bought and rehabilitated a building for a job training center run by HART. The Learning Corridor contracted with the Job Center to staff the construction jobs created by the initiative.

- **Technology and business development:** Trinity has taken the lead role in creating a “smart neighborhood” through technology access and training for residents and small businesses. The college opened a neighborhood cyber café, Trinfo, which is located adjacent to a small business development center. Community support is an essential component of SINA’s success. Although HART is not a formal partner
to the collaborative, the grassroots network of neighborhood organizations has
served as an informal collaborator throughout SINA’s lifespan. Marilyn Rossetti,
executive director of HART, and Marilda Gandara, president of the Aetna
Foundation, say that “this has not been a plan that has been imposed on us by our
big and powerful institutional neighbors, but rather a plan that we’ve developed
working side by side with them. It is not their agenda that is reflected in the plan;
it is our agenda.”

Given the expertise and depth of Cleveland’s many anchor institutions, similar
collaborative strategies should be considered for the region and aligned with economic
equity goals.

c. The East Baltimore Development Initiative: Revitalizing Neighborhoods While
Growing the Region’s Biotech Sector

The East Baltimore Development Initiative (EBDI) is a unique anchor-community
initiative that combines neighborhood revitalization, economic inclusion, and the
development of a regional industrial cluster. Led by a partnership between Johns Hopkins
University, the City of Baltimore, the Greater Baltimore Committee (a regional economic
development organization), Baltimore Housing (the city’s housing agency), and the
Annie E. Casey Foundation, the $800 million initiative seeks to transform the area just
north of Hopkins’ medical complex—where 56% of the properties are currently vacant—
into a mixed-use, economically-integrated neighborhood. Anchoring the new
neighborhood will be a large life sciences and technology park that will house biotech
companies and provide jobs for neighborhood residents. The effort signifies an important
reorientation for Johns Hopkins, the state’s largest private employer and the dominant
economic actor in the city. The university’s previous development approach of “decide,
announce, defend” had won the anchor few advocates in the neighborhood. In 1999,
when Baltimore’s mayor began discussing strategies to spark revitalization in the area,
the Annie E. Casey Foundation seized the opportunity to advocate for an inclusive
approach that would create mutual gains for Hopkins, the city, and the residents of East
Baltimore.

The resulting anchor-community plan—outlined in an Economic Inclusion Memorandum
of Understanding with the City of Baltimore—includes physical revitalization and
economic development goals, and a commitment to inclusion. Physical revitalization
plans involve large-scale demolition of blighted properties, block reconfiguration,
housing construction and rehabilitation, streetscape improvements, and commercial
revitalization. To create a mixed-income community, the 1,200 homes to be built or
renovated will be evenly distributed among low-, moderate-, and upper-income
households. The project is expected to bring an estimated 6,000 new permanent and
temporary construction jobs to the neighborhood, over 2,000 of which are expected to go
to lower-skilled residents. To help connect area workers to jobs, the initiative has
established a multi-stakeholder workgroup, the East Baltimore Workforce Alliance, to
undertake a sector-based approach to workforce development, with a focus on health
care, construction, and biotechnology.

The initiative also creates economic opportunities for local businesses; developers are
required to sign agreements to hire minority-owned and women-owned businesses at
specific levels, and to hire locally-owned firms to the maximum extent possible. To ensure that current residents benefit, Johns Hopkins and the Annie E. Casey Foundation each gave $5 million to provide enhanced relocation benefits and additional support to help the 800 households that will be displaced by the project find better housing opportunities during the construction period. The Annie E. Casey Foundation’s commitment to “responsible relocation” incorporates a set of principles that should guide all institutional partners in redevelopment. Not surprisingly, the potential impact of the biotech park on the surrounding housing market is a source of ongoing debate and concern. In August 2005, National Public Radio reported a community meeting of 300 local residents, many of whom expressed concern that the vast majority of proposed housing units were going to be unaffordable to them. Even if the government, university, foundation, and development entities involved in the project abide by the tenets of responsible relocation, the issue of how to manage the impact of a growing number of independent speculative buyers’ remains.

EBDI also provides an illustration of how universities, local governments, and other community stakeholders are beginning to engage more directly in economic development. Johns Hopkins is a leader in biomedical science research, receiving the most federal funding for this research of any institution in the nation (over $500 million per year). By building state-of-the-art facilities, and providing access to Hopkins and business incubator programs, EBDI hopes to leverage Johns Hopkins’ research strength to lure 30 to 50 start-up and existing biotech companies to the park. The park will also lease space to businesses that provide supplies and support services to biotech companies. To attract these companies, the city is offering a number of financial incentives, including a 10-year property tax abatement, tax credits, low-interest loans, and workforce development grants. A quarter of the project budget—$200 million—will come from public financing, including tax increment financing bonds, existing property rehabilitation funds, and state funding.

A major community benefit cited by these investments is the creation of thousands of new jobs within 10 years, but some analysts believe that the job estimate—particularly for lower-skilled workers—may be overstated. A study by Good Jobs First outlines three reasons why the estimates might be too high. First, the City of Baltimore is competing against other attractive locations in the state, such as Montgomery County, a Washington, D.C., suburb where the majority of biotechnology firms are currently located. Second, the job estimate is based on 100% occupancy, but despite financial incentives and intensive marketing campaigns, no companies have yet committed to moving into the park. Third, even if the park fills to capacity, there is no guarantee that the jobs it creates will go to workers with limited education. Experience with biotech development has shown that most of the initial jobs created go to highly educated workers, and that it is not until the product manufacturing stage—typically 10 years down the road—that jobs are created for workers with fewer skills.

In addition, once incubated, biotech companies tend to leave research parks, or outsource their manufacturing components outside the city in which they are located. The biotech park will not be fully built out until 2014, making it too early to assess the outcomes of this bold attempt at community transformation, or its ability to deliver on-the-job opportunities it promises to create for residents. EBDI does illustrate the need—and the
opportunity—for community stakeholders to get involved in large anchor-oriented economic development projects to ensure that residents benefit from these investments.

Once again, Cleveland’s strong anchor institutions would support the feasibility and potential success of a similar (equity focused) initiative for the Cleveland region.

d. Michigan’s Land Bank Activities - Tools To Strengthen Cleveland’s Land Bank

The Obsolete Property Rehabilitation Act in Michigan (enacted in 2000) and the Land Bank Fast Tract Acts of 2003 provide municipalities with additional legislation to address the cumulative impact of physically obsolete property on neighborhood character and economic vitality.\(^{83}\) The legislation creates special vacancy districts and earmarks parcels for economic redevelopment, particularly non-residentially-zoned property such as retail. The Act enables local governments to establish one or more obsolete property rehabilitation districts, which may consist of one or more structures or tracts of land. It provides an exemption for property taxes to commercial property and commercial housing property if an obsolete property rehabilitation district has been established and is located in a qualified local governmental unit.\(^{84}\)

Local governments may restore or modify the property to an economically efficient condition. Rehabilitation includes major renovation and modification including, but not necessarily limited to, the improvement of floor loads, correction of deficient or excessive height, new or improved fixed building equipment, including heating, ventilation, and lighting, reducing multistory facilities to one or two stories, improved structural support including foundations, improved roof structure and cover, floor replacement, improved wall placement, improved exterior and interior appearance of buildings, and other physical changes required to restore or change the obsolete property to an economically efficient condition.\(^{85}\)

The expertise and breadth of community development corporations in the Cleveland region have demonstrated an ability to develop housing utilizing the Land Bank structure. The Cleveland Land Bank will soon need to face the changing scale of economic distress, when vacancy and abandonment move outside of the central city. The legislative environment in Cleveland promotes economic reuse of land and buildings through agreements with the Land Bank program and recent agreements with Cuyahoga County. OPR legislation views opportunities in economic terms for increasing inventory while simultaneously encouraging productive economic reuse.

In addition, Genesee County, Michigan’s land bank is now the most advanced program in respect to its scope and geographic scale. Under the leadership of Genesee County Treasurer Dan Kildee, the land bank is administered at the County level, working both within Flint, MI and in the suburban communities. The program, with assistance from the Mott Foundation, has aligned the land bank program with other community planning goals to strategically plan for properties the land bank acquires. In addition, the program offers assistance to residents facing tax delinquency foreclosure to avoid abandonment and foreclosure before they occur.

Regionally speaking, Cleveland is already attempting new ways to respond to an oversupply of obsolete structures outside of residential units. Recent legislation for an Industrial Land Bank reflects a more comprehensive response to addressing the extent of
vacant parcels and abandoned structures on the region. However, the residential land bank has a noted policy of only accepting land into the inventory.  

OPR legislation can be shaped to provide geographic specificity, (as it does in Michigan) and restore the Land Bank’s competitive edge by enabling it to claim structures, work more regionally and connect land bank resources to regional planning needs. These efforts have been noted by scholars in the region as part of a bundle of strategies to strategically increase neighborhood character and quality. Further, legislative additions should look to build on existing strengths, namely:  

- Legal and administrative capability to sell properties at below-market value  
- Expedited judicial foreclosure process  
- Ability to waive property taxes for distressed properties proposed for redevelopment  
- Extensive network of CDCs as collaborators with various governmental (city and county) partners  

6. Summary, Recommendations and Action Steps:  

In the beginning of this chapter, the challenge was to better understand how the African American community in Cleveland could better position itself in its bid to increase equity in racial and regional terms. From our inventory of promising practices that engage these equity challenges, we primarily looked outside of the region. Applying these policies within the region may be challenging, but all initiatives have some potential for achieving greater economic equity in the Cleveland region.  

To achieve the right blend of long- and short-range programs and legislation, Cleveland’s African American constituents must maintain a sustained and pragmatic response. Factors such as undercapitalization in human and economic resources can adversely reduce effectiveness and weaken morale. Economic development is considered by some to be a “game of trial and error.” It is also becoming more market driven, and government is being called to be a proactive agent, increasingly led by private sector responses. The differing tolerance for risk and return in the private versus public sectors must be reassessed for balance, ensuring that economic development draws a diversity of investors, while remaining in the public’s interests. Also important in this rebalancing is the need for pragmatic and holistic representation of costs and benefits so programs or legislation are not abandoned (or extended) beyond their useful lives.  

As Cleveland develops economic strategies, the four policy recommendation areas (Industry focused workforce development, MBE development, leveraging and distributing resources and Neighborhood Development) are intended to frame the discussion of an African American equity response. Each ‘mini’ case study provides real world examples of how programs or legislation under each policy area were implemented in regions sharing economic and demographic characteristics and similar regional economy or inclusion issues.  

Below are four action strategies intended to initiate, not replace, the meaningful interactions of individuals, organizations and institutions needed to spur equitable economic opportunities. The first provides a series of action themes and steps that
reference efforts in other regions as they relate to the four policy areas. These themes demonstrate the merit of urban and inner-ring suburb cooperation, as each brings unique assets to the table. It is important to remember the initial challenges of regional equity and African American inclusion require a finger on the pulse of broader market and African Americans to be effective. A review of the merits and shortcomings of each initiative highlight areas of emphasis for Cleveland leadership to consider. Lastly, Figure 4 presents a policy matrix, positioning the various programs and legislation into categories based on time frame and lead partners.

7. Economic Strategy & Inclusive Environments: Recommendations to Build the Infrastructure of Cleveland’s Regional Economy

- **Critical Recommendation:** Build the policy infrastructure and incentive base for the development of a Minority Business Accelerator in Cleveland.

  - Similar to Cincinnati, a Cleveland-MBA must tap the local, larger scale firms, and research institutions for support. Efforts should also be made to align with an existing broad, highly-visible and credible institution (In Cincinnati, the MBA is within the Regional Chamber of Commerce).
  
  - Along with corporate partners, engage emerging-industry participants. Issues to consider include establishing participation targets and accountability systems to inform the procedural basis of the Cleveland MBA. Further, the Accelerator and partners should spend substantial effort crafting a series of broader goals to motivate sustained participation on all sides.
  
  - Avoid creating a private ‘set-aside’ environment through MBA procurement commitments. The MBA in Cincinnati is collaborative and competitive. It has also been masterful at being a relationship conduit for African American and Fortune 500 companies in the region.
  
  - In addition to working toward procurement goals, consider the significance of firm clusters. Research suggests clusters are a critical element for regional and local prosperity. Geographic proximity and firm scalability should be a part of the MBA criteria in a meaningful way. Microenterprise has been a long-standing public strategy to promote employment, but efforts by the Cincinnati MBA and research demonstrate, targeting mid- to large-scale firms presents greater impact potential for employment opportunity. From a short-term perspective such firms tend to be more able to competently and effectively meet the procurement needs of large-scale (e.g. Fortune 500) companies.
  
  - MBE and African American firms must be more deeply engaged in the practices that generate value in the 21st century. The Cincinnati MBA promotes more nuanced and strategic responses to being competitive at the broader scale, embracing multiple forms of growth and ownership strategies. Among them is merger and acquisitions to create larger-scale enterprises. The MBA also encourages tangentially-oriented companies to form new, joint ventures in an effort to better position firms for competition and corporate procurement relationships.
Borrowing from integrated workforce/economic development policy, a Cleveland-MBA can work to close the ‘loop’ by investing in less prepared workers through short-term, ‘step-up’ programs. Figure 1 in this chapter demonstrates employment growth based on the level of experience and education. Secondary goals of the MBA should seek to create opportunities for these workers to move forward within MBA firms and bolster support for businesses from the bottom up.

- Improve networking, mentoring, and relationship-building among minority and majority firms in order to build on human capital.
  
  - Tap vested African American businesses to monitor African American entrepreneurs. Also, consider networking opportunities and incentives with established businesses and institutions to steer African American entrepreneurs toward emerging sectors.
  
  - Understand how gaps persist and form between African American and mainstream businesses. Use this information to increase interactions and provide additional steering opportunities.

- Identify firms in Cleveland’s emerging and important sectors to participate in inclusion and regional economic discussions. Topics to consider include current recruitment / inclusion initiatives and neighborhood involvement.

- Identify sectors where wages are overburdened by housing costs. Call together local policy stakeholders and industry representatives to initiate the campaign for the adoption of living wages in targeted sectors. Applied examples of this policy at work: Minority Business Accelerator (Cincinnati), SEIU Living Wage Campaign (Maryland), Community Benefits Agreements.
  
  - Seek to partner with private firms, institutions, labor unions and neighborhood organizations to empirically define Cleveland’s living wage/affordability conditions.

- Advocate for the redirecting of growth and asset development capital to the downtown and surrounding core neighborhoods and inner-ring suburbs through innovative development policy. Applied examples of this policy at work: WIRE-NET, Focus HOPE (Detroit), Community Benefits Agreements, California Office of the Treasurer, OPERS Midwest-Ohio Fund, State-level Career Readiness Certification / MSSC Certification, Cincinnati Minority Business Accelerator.
  
  - Make the business and economic development case for broadening the scale of investments in urban neighborhoods and inner-ring suburbs. Identify the market potential for large-scale projects and opportunities for small-scale investments in underutilized assets.
  
  - Advance socially responsible venture capital to fund growth capital and real estate development in target geographies. Seek partnerships that advance equitable asset allocation by tying fund release to neighborhood plans, business locations, sectors, and job training efforts deemed high
priority. Further, explicitly identify the indexes used to benchmark the funds, in order to attract additional capital into the region.

- Lobby Jennette B. Bradley, Ohio Treasurer, for the consideration of a directive diverting pension funds for use in leveraging property development, growth capital and equity investments in socially responsible venture funds (SRVF).
- Look to the example of Phil Angelides, California Treasurer, and the use of pension funds as vehicles for development and growth.

- Promote awareness of Cleveland’s African American ‘innovation’ character and the region’s suburban and urban amenities as part of a broad branding campaign. Applied examples include the Northwest North Carolina CEDS, WIRE-NET, Focus: HOPE, and the EBDI Economic Inclusion Plan.
  - Identify the last CEDS conducted for the region. Promote a new CEDS with an economic inclusion focus that specifically includes participants from inner-ring suburbs and core neighborhoods. Structure the process to substantively design the Cleveland brand tree, how each municipality participates and implements the CEDS in connection with its own economic development plans.
  - Draft a five to seven year economic inclusion plan that seeks to create inclusive environments with efficiency spillovers (not vice versa). The plan should be tied to proposed regional transportation investments, and public works investments.
  - Create and fund an independent review commission to ensure the tracking of inclusion trends, quarterly and annually. Look to publish results and upcoming projects through electronic, print and radio channels.

- Coalition build with heavy and light manufacturers, health care, aircraft and traffic control, material moving firms and local colleges and universities for statewide adoption of Career Readiness Certificate legislation.

- Advocate for the establishment of a living wage and link this to positive neighborhood development, to create Neighborhoods of Choice.
  - Retain and expand high inertia establishments (e.g. retail stores) and land uses which facilitate multi-modal transit opportunities.

- Lead the discussion with local municipalities, Cuyahoga County and housing developers to reestablish the competitive edge of Cleveland’s Land Bank. Consider legislation and agreements which reduce City/County friction and incorporate a broader portfolio of neighborhood-scale retail and residential inventory.

- As part of a State-level policy package, promote the consideration of policy focused on integrating local plans with state-level incentives in urban areas, similar to Michigan’s Cool Cities program. Applied examples include the SINA-Yale Collaborative Investments (Hartford, CN), Community Benefits

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- Tap into County-wide programs that have specific physical asset dollars earmarked for geographically informed allocation such as The Cuyahoga Innovation Zones (see the Blue Ribbon Task Force 2006 Action Plan). The MidTown (E.61st Street between Euclid and Chester) Cleveland building is a pilot facility.
Figure 1: Analysis of short-term growth occupations in the Cleveland region, with consideration paid to its growth from 2004-2014 and African American representation.
**EBDI Economic Inclusion Plan Structural Review**

**Purpose:**
Based on results of Baltimore’s annual disparity study, it was deemed legislated mechanisms were needed to ensure the appropriate levels of contracting in the East Baltimore Community. The *EBDI Economic Opportunity Plan and Procurement Policy* guides the “practical participation goals” of minority, female and local business enterprises. The Plan was used in the administration of the area’s major development projects in accordance with City Ordinance 211 and Mayor’s Executive Order 610.

**Enabling Element:**
*Administration:* EBDI has taken the leadership role in inclusion compliance for new developments in the East Baltimore project area. Their administration covers how compliance is achieved, the penalty for willful and non-willful compliance, and tracking & monitoring program goals. EBDI’s capacity to conduct these critical tasks significantly reduces non-market barriers that may render inclusion agreement too costly for businesses.

**Enabling Element:**
*Measurable Goals:* The Economic Inclusion plan details workforce goals, participation goals and minimum contracting goals for the following tasks: Construction, Architectural & Engineering, and General Services.

**Enabling Element:**
*Awareness:* EBDI provided contractors and corporate partners with posting compliance assistance. Further, notification was provided by EBDI to minority and women-oriented organizations, and trade associations. An online directory of registered MBE, WBE, LBE and resident businesses in East Baltimore was made available on the EBDI website.

**Inhibiting Element:**
*Capacity Transfer:* The investment by local partners and EBDI created the momentum to provide a model of how to address inclusion challenges in cities. The *structure* of EBDI relationship presents challenges for sustained momentum and growth because the expertise rests mainly in the organization alone and has a narrow geography of influence. The enabling legislation had limitations in scope, as the project areas cover only a fraction of the places where significant investments are occurring. Also, the lack of additional partners, similar to EBDI in scale and scope, leave expertise gaps in other locations in the city and region facing similar challenges. The risk of flight by talent or overburden is palpable in the face of better opportunities outside of Baltimore and new challenges arising in other parts of the Baltimore region.

**Inhibiting Element:**
*Applicability Transfer:* The scope of the legislation places limitations on city-funded projects only and much of the emphasis is on the early phases of projects. Expanding the application of inclusion strategies outside of the construction trades may stimulate growth in complimentary sectors that have strong multiplier effects such as manufacturing, information technology and financial services.

**Figure 2: Elements of the East Baltimore Economic Inclusion Initiative**
**Northwest North Carolina Comprehensive Economic Development Strategy Structural Review**

**Purpose:**

Create an economic development plan that strategically competes for new investment on the national stage. Leverages the region’s historical ties to the manufacturing sector to create its image as a “design industry” for the region to attract capital and residents. The five goals of the plan are; to build on the region’s natural amenities and its workforce, to create a region of thriving downtowns, superior technology, diverse corporations, small business, and infrastructure to support business & tourism growth.

**Enabling Element:**

**Regional Focus:** The CEDS is framed as a regional action document having a clear vision, core themes, goals, strategies, and subsequent action steps. Priority projects were recommended, ranging from infrastructure improvements, industry targeted improvements, and marketing and awareness tools. In addition, five economic development strategies were identified for implementation in the region for which all the counties were structured to participate.

**Enabling Element:**

**Community-Led Strategies:** The CEDS development process was a bottom-up planning process headed by a 45-member committee. The effort spanned eight counties soliciting input from 1,400 residents and businesses in the region. The core themes and vision in the CEDS are products of stakeholder meetings in each county. These interactions revealed common threads from which the broader economic development strategy was created. It was resident input that led to the support of allocating resources to the “design” industry niche.

**Enabling Element:**

**Dynamic Public Relationships:** The CEDS aims to make meaningful linkages between public partners. The ground-up partnerships were structured to reduce unnecessary competitive friction and foster collaboration. For example, a brand tree was developed to reflect “each county’s personality as if the county was a person within a family.” This structure provided a series of themes from which each county could promote the themes consistent with the broader regional brand. Also, the development of a replicable biotechnology curriculum by the Piedmont Community College system and funded by the Department of Labor serves as an additional example of creative, flexible linkages to leverage the comprehensive image and infrastructure to attract firms and people.

**Figure 3: Elements of the Northwest North Carolina Comprehensive Economic Development Strategy (CEDS)**
## Figure 4: Policy Matrix Providing an Overview of Time Frame and Partnerships for Case Studies

<table>
<thead>
<tr>
<th>Policy Matrix</th>
<th>Public / Private Intermediaries, Public Lead</th>
<th>Public / Private Intermediaries, Shared Lead</th>
</tr>
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</table>
| **Short Range, Long Term Programs + Legislation (1 - 3 Years)** | WIRE-NET + MSSC Certification [1,3,4,5]  
Obsolete Properties Rehabilitation Act (MI) strengthen Cleveland’s Land Bank  
Drafting Economic Inclusion Plan [1,6], [1,24,5,6] | Career Readiness Certification / MSSC Certification [1,2,3,4,5]  
Focus: HOPE Linking Important & Emerging Sectors to CRC [1,3,4,5]  
Integrated Networking Opportunities (Emphasis on Important & Emerging Sectors) [3,4,5,6]  
Drafting Regional Comprehensive Economic Development Strategy [1,2,3,4,5,6] |
| **Long Range, Long Term Programs + Legislation (3 - 7 Years)** | Cool Cities Reinvestment Strategy Model (Michigan) [1,2,6]  
Living Wage Campaign [4,5]  
Long Term Investments and Collaboration by Anchor and Neighborhood Institutions [3,6] | Niche Funds, Managed for Returns in Urban Neighborhoods [1,2,4,5]  
Community Benefits Agreements [1, 4, 5, 6]  
Minority Business Accelerator [3, 4, 5] |

### KEY

**Suggested Partners**

1 = Municipal Governments  
2 = State Agencies  
3 = Academic Institutions  
4 = Broad Based Business Community  
5 = MBE Community  
6 = CDC Partners
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41 Phone interview response from John Young, Director of Cincinnati Minority Business Accelerator

42 Excerpted from the Minority Business Accelerator website http://216.68.103.129/about_chamber/depts/mba.asp, accessed on April 25, 2006

43 Phone interview response from John Young, Director of Cincinnati Minority Business Accelerator, May 2, 2006.


45 Phone interview response from John Young, Director of Cincinnati Minority Business Accelerator, May 2, 2006.

46 Phone interview response from John Young, Director of Cincinnati Minority Business Accelerator, May 2, 2006.


55 Ibid. pp 4.


59 Ibid. pp 18.

60 Ibid. pp 19.


64 U.S. Census Bureau; Census SF3 File
68 VentureSource.  *Venture Capital Industry Overview*
72 Ibid.
74 Radhika K. Fox and Sarah Treuhaft (2005).  “Shared Prosperity, Stronger Regions: An Agenda for Rebuilding America’s Older Core Cities”  *PolicyLink*
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